



RALPH DLG. TORRES
Governor

ARNOLD I. PALACIOS
Lieutenant Governor

COMMONWEALTH of the NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

January 28, 2020

GOV20-070

The Honorable Eugene Scalia
Secretary
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Dear Secretary Scalia,

Pursuant to subsection 3(c)(i) of Public Law 115-218, or the Northern Mariana Islands U.S. Workforce Act of 2018, I write to provide you with the *revised* Commonwealth of the Northern Mariana Islands' (CNMI) annual report identifying the ratio of United States workers and other workers in the CNMI based on income tax filings for Tax Year 2018.

The attached report, provided by the Secretary of the CNMI Department of Labor includes other helpful information such as report timeline, methodology used, and target population.

If you have any questions or require additional information, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph DLG. Torres", is written over a circular official stamp. The stamp contains the text "CNMI" and "OFFICE OF THE GOVERNOR".

RALPH DLG. TORRES
Governor



Commonwealth of the Northern Mariana Islands
Department of Labor
Office of the Secretary
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January 27, 2020

The Honorable Ralph Deleon Guerrero Torres
Governor
Commonwealth of the Northern Mariana Islands
Juan A. Sablan Memorial Building, Capitol Hill
Caller Box 10007
Saipan, MP 96950

Hafa Adai, Governor Torres:

Pursuant to subsection 3(C)(i) of Public Law 115-218, or the Northern Mariana Islands U.S. Workforce Act of 2018, enclosed is the *revised* annual report identifying the ratio of United States workers and other workers in the Commonwealth based on income tax filings for Tax Year 2018. The report also includes an appendix which details the report timeline, methodology used, and other helpful information.

Should you have any questions or need additional information, please feel free to contact me at (670) 664-3196 or 323-9996.

Respectfully,

A handwritten signature in black ink, appearing to read "Vicky Benavente".

VICKY BENAVENTE
Secretary
CNMI Department of Labor

Enclosure

Ratio of United States Workers to Other Workers in the Commonwealth of the Northern Mariana Islands For Tax Year 2018

Revised

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DESCRIPTION OF TERMS AND ABBREVIATIONS¹

- 1) CNMI, NMI, Commonwealth: Commonwealth of the Northern Marianas Islands, Northern Mariana Islands. Both terms and abbreviations are interchangeably used to describe a chain of fourteen islands that make up the United States Commonwealth of the Northern Mariana Islands.
- 2) CW: CNMI-Only Transitional Worker. The CW-1 visa classification allows CNMI employers to apply for permission to employ foreign (nonimmigrant) workers who are otherwise ineligible to work under other nonimmigrant worker categories. The CW classification provides a method for transition from the former CNMI foreign worker permit system to the U.S. immigration system.
- 3) EAD: A general term used to describe a card USCIS issues on Form I-766, Employment Authorization Card, to aliens who are authorized to work in the United States. The card contains a photograph of the individual and sometimes his or her fingerprint. An alien who has an EAD usually has open-market employment authorization, but there are exceptions.
- 4) EB-3: Employment-Based Immigration, Third Preference. An individual may be eligible for this immigrant visa preference category if the individual is a skilled worker, professional, or other worker. The “other workers” subcategory is for persons performing unskilled labor requiring less than 2 years training or experience, not of a temporary or seasonal nature.
- 5) H-1B: This visa category applies to people who wish to perform services in a specialty occupation, services of exceptional merit and ability relating to a Department of Defense (DOD) cooperative research and development project, or services as a fashion model of distinguished merit or ability.
- 6) H-2B: The H-2B program allows U.S. employers or U.S. agents who meet specific regulatory requirements to bring aliens to the United States to fill temporary nonagricultural jobs.
- 7) E Visas (E-1, E2, and E-3) for Temporary Workers: The E visa category includes treaty traders and investors who come to the U.S. under a treaty of commerce and navigation between the United States and the country of which the treaty trader or investor is a citizen or national. This category also includes Australian specialty occupation workers.
- 8) F-1 Student Visa: A nonimmigrant visa category for persons wishing to study in the United States. Any off-campus employment must be related to the area of study and must be authorized prior to starting any work by the Designated School Official (the person authorized to maintain the Student and Exchange Visitor Information System (SEVIS)) and USCIS.
- 9) J-1: The J-1 classification (exchange visitors) is authorized for those who intend to participate in an approved program for the purpose of teaching, instructing or lecturing, studying, observing, conducting research, consulting, demonstrating special skills, receiving training, or to receive graduate medical education or training.

¹ Descriptions of the various visa types or classes were obtained online on the United States Citizenship and Immigration Services website at <https://www.uscis.gov>.

PURPOSE OF THE REPORT

This report attempts to satisfy the requirement listed in Subsection 3(C)(i) of the Northern Mariana Islands U.S. Workforce Act of 2018 (Act or the Workforce Act). The report was based on data obtained from individual CNMI income tax filings for Tax Year 2018.

INTRODUCTION

On July 24, 2018, the Northern Mariana Islands U.S. Workforce Act of 2018 officially became Public Law (P.L.) 115-218. The purposes of the Act are:

- 1) to increase the percentage of United States workers (as defined in section 6(i) of the Joint Resolution entitled “A Joint Resolution to approve the ‘Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America’, and for other purposes” (48 U.S.C. 1806)) in the total workforce of the Commonwealth of the Northern Mariana Islands, while maintaining the minimum number of workers who are not United States workers to meet the changing demands of the Northern Mariana Islands' economy;
- 2) to encourage the hiring of United States workers into such workforce; and
- 3) to ensure that no United States worker--
 - a. is at a competitive disadvantage for employment compared to a worker who is not a United States worker; or
 - b. is displaced by a worker who is not a United States worker.

The Act contained several stipulations the CNMI Governor (Governor) must satisfy to effectuate the hiring of more U.S. workers in the Northern Mariana Islands workforce. Subsection 3(C)(i) of the Act stated the “Governor shall submit a report to the Secretary [of the U.S. Department of Homeland Security] that identifies the ratio between United States workers and other workers in the Commonwealth’s workforce based on income tax filings with the Commonwealth for the tax year (Fig. 1).” Pursuant to the Act, the Governor must submit the report no later than 60 days before the end of the calendar year, and annually thereafter, for the entire ten-year transition period.

(C) Reports regarding the percentage of united states workers.—

(i) By governor.—

Not later than 60 days before the end of each calendar year, the Governor shall submit a report to the Secretary that identifies the ratio between United States workers and other workers in the Commonwealth’s workforce based on income tax filings with the Commonwealth for the tax year.

Figure 1. P.L. 115-218

DEFINITION OF “UNITED STATES WORKER”

Under the Act, a United States worker does not include citizens and nationals only. The Northern Mariana Islands U.S. Workforce Act of 2018 defines a U.S. worker as:

- 1) a citizen or national of the United States;
- 2) an alien who has been lawfully admitted for permanent residence; or

- 3) a citizen of the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau (known collectively as the ‘Freely Associated States’) who has been lawfully admitted to the United States pursuant to--
- (i) section 141 of the Compact of Free Association between the Government of the United States and the Governments of the Marshall Islands and the Federated States of Micronesia (48 U.S.C. 1921 note); or
 - (ii) section 141 of the Compact of Free Association between the United States and the Government of Palau (48 U.S.C. 1931 note).

DEFINITION OF “OTHER WORKER”

Any worker who has been lawfully admitted to the CNMI for employment but does not meet the definition of a “United States Worker” as described in P.L. 115-218, or the Northern Mariana Islands U.S. Workforce Act of 2018.

TOTAL INDIVIDUAL INCOME TAX FILINGS FOR 2018

As of October 31, 2019, a total of 27,805² individual W-2CM income tax filings were received by the CNMI Department of Finance. A breakdown by worker category (Fig. 2) is shown below.

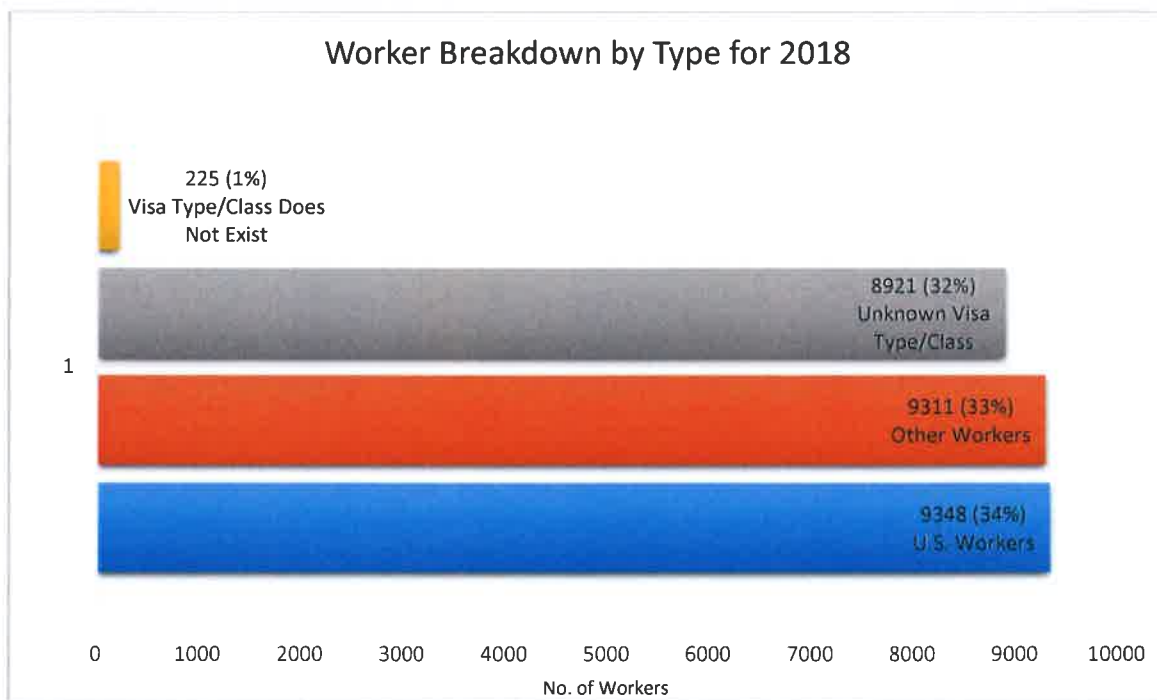


Figure 2. Worker Breakdown by Type

² Total number does not include additional W-2CM forms received from those individuals with the same Social Security Number or Taxpayer Identification Number and who held more than one job during the tax year

The number of U.S. Workers totaled 9,348. There were 7,886 U.S. citizens or nationals, 1,434 Lawful Permanent Residents (also known as Green Card holders), and 28 citizens of the Freely Associated States (Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau). A breakdown by U.S. worker type (Fig. 3) is detailed below.

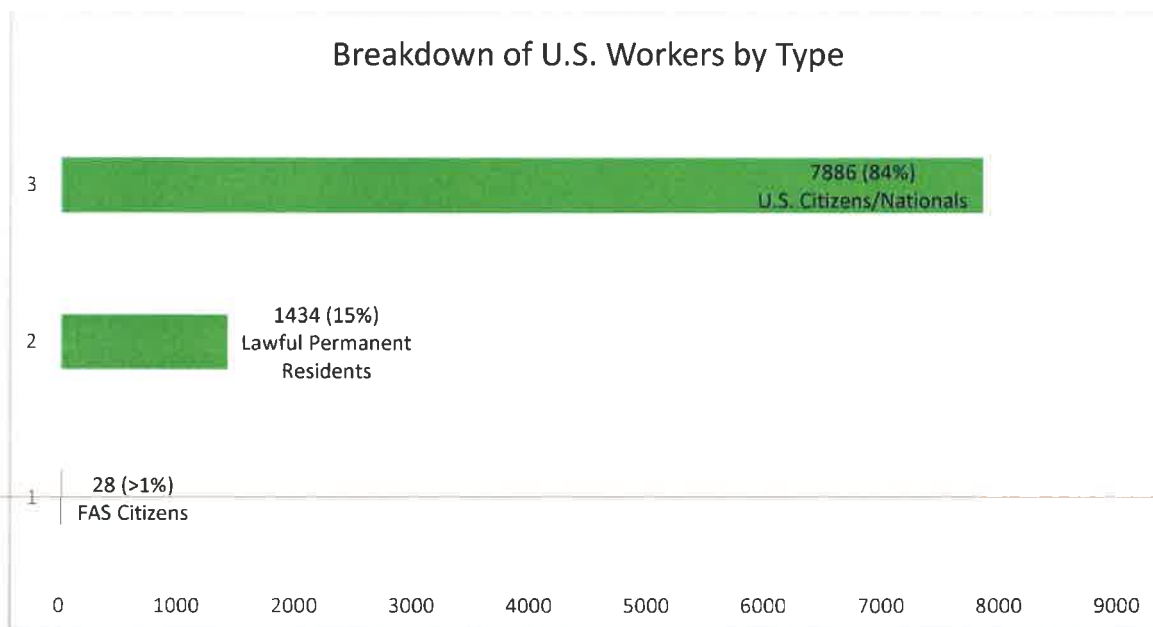


Figure 3. U.S. Worker Breakdown by Type

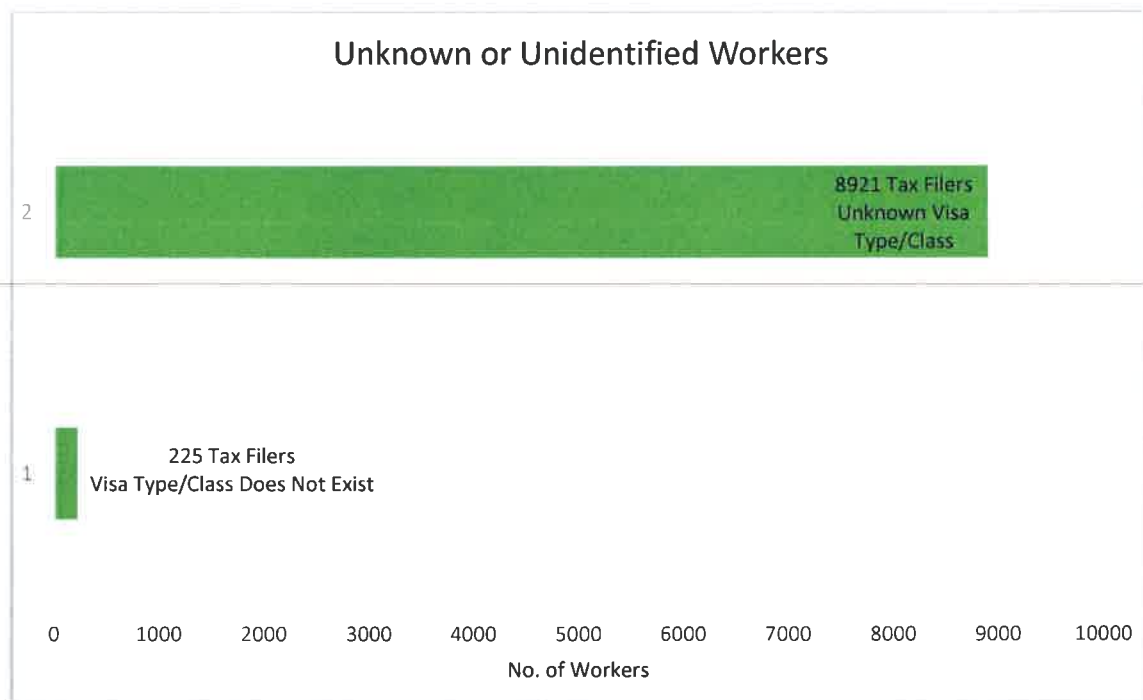
The number of Other Workers totaled 9,311. A breakdown by visa type/class (Table 1) and proportion of workers is detailed below.

Table 1: Visa type and total number of workers

OTHER WORKERS - BREAKDOWN BY TYPE		
7075	CW-1	76%
1135	H-2B	12%
487	EAD	5%
210	E2 & E2C	2%
186	H-1B	2%
134	J/J1	1%
84	All Other Visa Types (B1, E1, F1, L1, etc.)	1%
9311	TOTAL	100%

There were 9,146 tax filers who were not included in the final count of workers. Of the total, 8,921 tax filers could not be identified as a U.S. Worker or Other Worker. The individual or company responsible for entering the visa type/class of the employee in Box F of Tax Form W-2CM left the section blank. As a result, 32% of the population were excluded from the final count of U.S. and Other Workers.

Furthermore, the visa type/class of 225 tax filers were incorrectly entered in Box F of Form W-2CM. The visa type/class entered either did not exist or could not be identified as a valid U.S. visa. As a result, another 1% of the target population were excluded from the final count of U.S. and Other Workers.



RATIO OF U.S. WORKERS TO OTHER WORKERS

The ratio of U.S. Workers to Other Workers for Tax Year 2018 was:

9348 : 9311

To make it easier for the reader to understand the ratio, the total numbers were rounded to 9,350 U.S. Workers and 9,300 Other Workers which provided a simplified ratio of:

187 U.S. Workers : 186 Other Workers

In 2018, there were approximately 187 U.S. Workers to 186 Other Workers in the CNMI workforce.

APPENDIX

REPORT TIMELINE

In June 2019, the CNMI Department of Labor (CNMI DOL) contacted the Division of Revenue and Taxation (DRT) to request income tax filer data for Tax Year 2018. From June through October 2019, the CNMI DOL repeatedly called and emailed the DRT to request data in order to complete the report for the Governor to submit to the Secretary of the U.S. Department of Homeland Security. Due to technical difficulties and/or ongoing recovery efforts after Super Typhoon Yutu at the DRT, the CNMI DOL received the requested data on November 1, 2019. As a result, the CNMI DOL completed and submitted the annual ratio report after the November 1 deadline (60 days before the end of the calendar year).

TAX YEAR 2018 REPORT METHODOLOGY

The method employed to distinguish U.S. Workers from Other Workers was based on the individual tax filer's visa type/class entered in Box F (Fig. 5) on the 2018 Form W-2CM Wage and Tax Statement.

VOID <input type="checkbox"/>		a Employee's social security number		For Revenue and Taxation use only	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Income tax withheld (NMIT chapter 2)	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number (Serial number)		9		10 Dependent care benefits	
e Employee's first name and initial		Last name		Suffix	
f Employee's address and ZIP code		11 Nonqualified plans		12a code See instructions for box 12	
f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b code	
		14a Other		14b code	
		12c code		12d code	
15 CNMI Tax ID number	16 CNMI Wages and Salary	17 Wage & salary tax withheld (chapter 2)	A Location code	B Days out of the CNMI	C Citizen of country
			D NAICS	E SOC	F Visa type/Class

Form **W-2CM** Wage and Tax Statement **2018**
 Copy 1 For Division of Revenue and Taxation
 Department of Finance
 Division of Revenue and Taxation
 Commonwealth of the Northern Mariana Islands

Figure 4. Form W-2CM Wage & Tax Statement for Tax Year 2018

This was a new data collection methodology introduced to CNMI taxpayers starting in Tax Year 2018. After the NMI U.S. Workforce Act became P.L. 115-218, the CNMI Department of Labor collaborated with the CNMI Department of Finance's Division of Revenue and Taxation to include a section (Fig. 5) in the Form W-2CM Wage and Tax Statement for employers to enter an employee's visa type/class. This procedure was implemented to identify a taxpayer as a U.S. Worker or Other Worker based on the visa type/class of the employee. All U.S. workers were further classified by the type of U.S. worker (e.g., "US" for citizens and nationals, "GC" for

Lawful Permanent Residents or Green Card holders, “FAS” for citizens of the Freely Associated States). All Other Workers were identified (e.g., CW-1, H-1B, etc.) exactly as listed on the employee’s visa issued by the U.S. Department of State.

TARGET POPULATION AND SET PARAMETERS

The target population for tax year 2018 included only those individual tax filers who claimed wages, tips, and/or other compensation on the 2018 W-2CM Wage and Tax Statement. Those individual tax filers who claimed only passive income (e.g. rental income, dividend income, etc.) were excluded from the report since they were not considered a participant in the CNMI workforce. The report included all W-2CM tax filers from the islands of Saipan, Tinian, Rota, and the Northern Islands.

Additionally, the report excluded duplicate tax filers from the final count. Duplicate tax filers are those workers who held more than one job during the tax year and submitted additional 2018 W-2CM Wage and Tax Statement forms. The purpose of the exclusion was to avoid unnecessarily inflating the actual number of U.S. and Other Workers in the CNMI workforce.

LIMITATION OF REPORTED DATA

Over 9,146 individual tax filers, or approximately 33%, of the target population was excluded from the final count of U.S. and Other Workers. These tax filers remained unidentified or the visa type/class that were listed on Tax Form W-2CM for the workers were invalid. As a result, the number of U.S. and Other Workers may be higher for Tax Year 2018.

This may be attributed to the new reporting procedure for Box F of the 2018 W-2CM Wage and Tax Statement. After Super Typhoon Yutu devastated the islands of Saipan and Tinian, there was very little time to adequately inform and prepare employers of the new procedure for the W-2CM tax form before the end of tax year 2018. Although the CNMI DOL conducted a training presentation for Box F in December 2018, not all employers attended and so were unaware of the new procedure.